



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 11, 2018

H.R. 5756

A bill to require the Securities and Exchange Commission to adjust certain resubmission thresholds for shareholder proposals

As ordered reported by the House Committee on Financial Services on June 7, 2018

Under current law, shareholders' proposals may be excluded from the proxy statements of publicly traded companies if the proposals are substantially the same as others presented for a vote within the previous five years. If a proposal fails to receive 3 percent support in a first vote, 6 percent on the second, or 10 percent after the third vote in a five-year period, the company may exclude it. H.R. 5756 would raise those thresholds to 6 percent, 15 percent, and 30 percent, respectively.

Using information from the Securities and Exchange Commission (SEC) on the costs of similar activities, CBO estimates that implementing H.R. 5756 would cost less than \$500,000 for the agency to amend its rules. However, the SEC is authorized to collect fees sufficient to offset its annual appropriation; therefore, CBO estimates that the net effect on discretionary spending would be negligible, assuming appropriation actions consistent with that authority.

Enacting H.R. 5756 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 5756 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 5756 contains no intergovernmental mandates as defined in the Unfunded Mandate Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments. If the SEC increased fees to offset the costs of amending its rules, H.R. 5756 would increase the cost of an existing mandate on private entities required to pay those fees. Using information from the SEC, CBO estimates that such an increase would amount to no more than \$500,000, falling well below the annual threshold for private-sector mandates established in UMRA (\$160 million in 2018, adjusted annually for inflation).

The CBO staff contacts for this estimate are Stephen Rabent (for federal costs) and Rachel Austin (for mandates). The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.